



City of Austin

Recommendation for Action

File #: 25-2481, **Agenda Item #:** 12.

12/11/2025

Posting Language

Authorize negotiation and execution of a Place-Based Enhancement Incentive economic development agreement with the Austin Economic Development Corporation d/b/a Rally Austin for utilization of a credit enhancement tool and approve an ordinance providing an exemption from the requirements of Ordinance No. 20240926-012 to support the development of a mixed-use project, including affordable housing and a Cultural Heritage Center, on Urban Renewal Agency property on East 11th Street. Funding: The City is only required to provide a non-binding guarantee and is not legally obligated to provide any funds or additional incentives.

Lead Department

Austin Economic Development.

Fiscal Note

There is no fiscal impact to this incentive.

For More Information:

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Council Committee, Boards and Commission Action:

July 18, 2024 - Council approved Resolution No. 20240718-063 on an 11-0 vote authorizing the Urban Renewal Agency of the City of Austin (URA) to negotiate and execute all documents, agreements, and instruments necessary or desirable with a qualified applicant to develop a mixed-use project, including affordable housing and other community benefits, on approximately 2.02 acres of land within the East 11th and 12th Streets Urban Renewal Plan area located at or near the 900 and 1100 blocks of East 11th Street, Austin, Texas 78702.

September 26, 2024 - Council approved the Place-Based Enhancement Program (PBEP) through Ordinance No. 20240926-012 on a 10-0 vote with Council Member Harper-Madison off the dais, which included the PBEP Guidelines.

Additional Backup Information:

Rally Austin is supporting the redevelopment of Block 16 and 18, a major cultural mixed-use project on two URA properties. This project is based on project terms approved by Council and procured through a competitive RFP process. The project will be developed by the Pleasant Hill Collaborative with Servitas acting as lead developer. Rally Austin will be responsible for debt service payments associated with project bond funding. The project will include the following community amenities:

- A 27,000 square foot Cultural Heritage Center including cultural and nonprofit arts space;
- 13,400 of restaurant commercial space;
- 14 live/work townhomes;
- 62-72 affordable condominiums; and,
- Culturally-focused public art.

The prospective total direct economic impact of the project of the facility would be a capital investment of \$40,800,000, not including housing development costs being financed separately.

As a component of the application proposed for Austin Economic Development's PBEP for development on Blocks 16 and 18 of East 11th Street, the developer is requesting that the City provide credit enhancement through a moral obligation pledge. This pledge would not require an appropriation or reserve fund in the City Budget, but rather would provide a credible pledge from the City to consider support to the project's financing as a mechanism for lowering the rate of debt and securing various sources of financing capital. It is important to note that the moral obligation pledge is a non-binding guarantee and does not legally obligate the City to cover any funding shortfalls. If this component of the application is approved, it would allow the project to more readily achieve the deepest levels of affordability to satisfy the goals of the Urban Renewal Board that have guided this project from its inception and the requirements of the incentive offered by the PBEP.

The terms of the agreement will include, but is not limited to:

- Rally Austin and the developer will provide quarterly reporting to the City of its project costs and cash flows, capital financing sources, and associated debt service and debt service reserve requirements.
- If Rally Austin and the developer determine it will encounter challenges meeting its requirements, it must notify the City within 10 business days and submit details of all efforts it took to address those requirements/challenges before it made a request for support from the City. It will also detail its plans to resolve and strengthen the project's finances for the long-term.
- City staff will review the Rally Austin/developer submittal and provide a recommendation to Council within 15 business days regarding how it should proceed relative to the moral obligation pledge. This does not include the time necessary to place an item on the Council agenda should the recommendation include Council action. As this agreement is for a moral obligation pledge, there is no guarantee that the Council will take action to provide financial support.

Contract compliance will be determined annually by the City and an independent third-party to verify that Rally Austin has performed in accordance with the terms of the contract. Using the Impact Dashboard fiscal impact model, the City is projected to receive a \$1.8 million in total net benefit from the project over the 10-year agreement term.

An exemption from Ordinance No. 20240926-012 is required because the parties have not developed a draft contract for this project, yet. However, Ordinance No. 20240926-012 adopted the Place-Based Enhancement Program guidelines, which require a copy of the draft contract be included with the agenda item seeking Council approval for the incentive. Staff does have, however, the attached Term Sheet to provide Council the details on what the proposed contract will entail.

There is no fiscal impact from this agreement.

Districts: 1